



State of Utah

Department of Natural Resources

MICHAEL R. STYLER
Executive Director

Division of Oil, Gas & Mining

JOHN R. BAZA
Division Director

JON M. HUNTSMAN, JR.
Governor

GARY R. HERBERT
Lieutenant Governor

December 12, 2006

Jared Jackson
American Gilsonite Company
29950 South Bonanza Highway
Bonanza, Utah 84008

Subject: Permitting Requirements for B-46 through B-50, American Gilsonite Company, Bonanza Mine, M0470010, Uintah County, Utah

Dear Mr. Jackson:

The Division received a copy of your letter addressed to James Kohler informing him of your intention to proceed mining lease UTU-0126940. The letter details operations in mines B-46, B-48, and B-50.

These mines are not included in your Notice of Intention to Commence Large Mining Operations or the reclamation contract. Prior to beginning these operations, you must submit and gain approval of an amendment, including any needed adjustments in the surety. The amendment should be submitted in a form that it can be inserted in your mine plan.

If you have questions about this requirement, please call me at 801-538-5258 or Paul Baker at 801-538-5261.

Sincerely,

Susan M. White
Mining Program Coordinator
Minerals Regulatory Program

SMW:PBB:pb

cc: James Kohler, BLM

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American Gilsonite Company

Bonanza Minesite
29950 South Bonanza Highway
Bonanza Utah 84008 • Phone (435) 789-1921 • Fax (435) 789-1956

Mr. James F. Kohler, Chief, Solid Minerals Branch
United States Department of the Interior
Bureau of Land Management, Utah State Office
P.O. Box 45155
Salt Lake City, UT 84145-0155

December 7, 2006
Re: Federal Gilsonite Lease UTU-0126940

CERTIFIED MAIL – Return Receipt Requested

Dear Mr. Kohler,

This letter is to inform you that American Gilsonite Co. (AGC) intends to move forward with the approved mine plan for the above referenced lease. We intend to proceed as per the approved mine plan with the exception of varying the sequence of mining. Due to safety considerations, we need to vary the mining sequence by opening the B-48 mine first before B-46. This sequence variation is needed because of the deteriorated condition of the B-44 shaft and the water that is currently in the B-44 mine. The B-48 mine would provide us with the production we need to continue critical ongoing operations while we are in the process of dewatering the B-44 mine. The dewatering of the B-44 mine would allow us to properly access the B-44 and B-46 ore reserves safely. At some point in the future we plan to sink the B-46 shaft to recover these ore reserves. We plan to utilize the B-50 mine as the secondary escapeway for the B-48 mine.

We greatly appreciate your attention to this matter as current production demands require us to proceed with this sequence of operation as soon as possible to prevent economic harm that would come to the company as a result of delays to this process.

Best regards,

A handwritten signature in black ink, appearing to read "Jared Jackson".

Jared Jackson
Production Manager
American Gilsonite Company

Cc: Paul Baker – Division of Oil, Gas and Mining

RECEIVED

DEC 12 2006

DIV. OF OIL, GAS & MINING